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September 14, 2006

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VIA HAND DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

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SC PUBLIC SERVICE
COMMISSION

RE: Application of Carolina Water Service, Inc. for adjustment of rates and charges
for the provision of water and sewer service; Docket 2006-92-WS

Dear Mr. Terreni:

The purpose of this letter is to advise the Commission of the manner in which Carolina Water Service, Inc. ("CWS") intends to proceed in the above-captioned matter as contemplated by the motion of Commissioner Mitchell made and adopted at the September 8, 2006, special agenda session.

According to the motion posted on the Commission's website, the parties' August 30, 2006, Settlement Agreement ("Settlement Agreement") has been rejected on the grounds that "the Commission has not been presented with sufficient information to satisfy itself that the proposed rates and terms of this settlement are just and reasonable." This motion further states that the parties have two options, namely, (a) "withdrawing their [settlement] agreement and stipulated testimony and proceeding to a final hearing in this matter" or (b) "propos[ing] their settlement in lieu of the Company's original application" and directs the parties to declare their intentions on how they intend to proceed by the close of business today. For the reasons set forth herein, CWS hereby respectfully declines to exercise either option provided by the motion.¹

On the one hand, if the parties were "to propose their settlement in lieu of the Company's original application" CWS would be effectively forced to withdraw its application and expose

¹ CWS disagrees with the grounds stated in the motion and believes that the Settlement Agreement establishes just and reasonable rates supported by sufficient evidence. However, because there has been no order issued by the Commission or received by CWS in regard to this motion, CWS understands that the related "Directive" posted on the Commission website does not constitute any finding(s) of fact or conclusion(s) of law of the Commission from which CWS must seek rehearing or reconsideration at this time. Please advise me immediately if this understanding is incorrect. By not seeking rehearing or reconsideration at this time, CWS does not, however, waive its right to do so should the content of the Directive be reduced to an order at a future date.

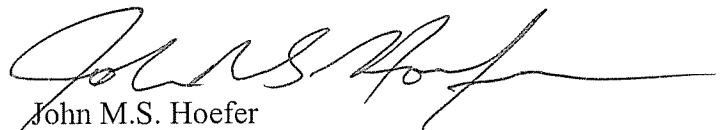
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itself to a determination that no application for rate adjustment is pending before the Commission in the event that the Settlement Agreement were not to be approved at a later date. On the other hand, if the parties were to withdraw the Settlement Agreement and proceed with a final hearing, they would be effectively deprived of their right to informally dispose of this matter.

If you have any questions, or require additional information, please do not hesitate to contact me. With best regards, I am,

Respectfully,

WILLOUGHBY & HOEFER, P.A.



John M.S. Hoefer

JH/amw

cc: C. Lessie Hammonds, Esquire
Shannon Bowyer Hudson, Esquire
(all via electronic and U.S. mail)